



Number: D96-17

Serving the People of California

DIRECTIVE

Date: December 30, 1996

69: 64:mw

TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
JTPD PROGRAM OPERATORS
EDD JOB SERVICE OFFICE MANAGERS
JTPD STAFF

SUBJECT: REQUESTING CASH

EXECUTIVE SUMMARY:

Purpose:

This Directive revises the method by which cash is ordered and eliminates the need for the Monthly Status of Cash and the Confirmation of Cash forms.

Scope:

This Directive applies to all Job Training Partnership Act (JTPA) subgrants, Interagency Agreements and other contracts who currently order cash through fax, telephone or Job Training Automation (JTA) On-Line.

Effective Date:

Beginning January 1, 1997, all requests for cash must be made through the JTA On-Line Cash Request System.

REFERENCES:

- JTPA Section 164(a)(1)
- JTPA Information Bulletin, B95-24, Subject: Implementation of the Employment Development Department's (EDD) Subgrantee On-Line Cash Request Function, August 11, 1995
- Job Training Partnership Division (JTPD) Directive D95-36, Subject: Process for Return of Excess Cash, June 3, 1996
- Treasury Circular No. 1075 (31 Code of Federal Regulations [CFR] Part 205), which limits cash orders to cover immediate cash requirements; JTA Cash Request Handbook, Section 4 JTPA Regulations, 20 CFR Part 626, et al., JTPA; Final Rule, 627.430(b).

STATE-IMPOSED REQUIREMENTS:

All the procedures referenced by this Directive are state-imposed requirements.

FILING INSTRUCTIONS:

This Directive supersedes JTPA Interim Directive 93-7 Subject: Requesting Cash, June 30, 1993. Retain this Directive until further notice.

BACKGROUND:

Title 20, CFR Section 627.430 states: "JTPA grant payments shall be made to the Governor in accordance with the Cash Management Improvement Act of 1990 (31 U.S.C., 6501, et seq.), Department of Treasury regulations at 31 CFR part 205, and the State Agreement entered into with the Department of the Treasury;" and ". . . each recipient and subrecipient shall be paid in advance, provided it demonstrates the willingness and ability to limit advanced funds to the actual immediate disbursement needs in carrying out the JTPA program." Treasury Circular 1075 requires that advances to a recipient organization be limited to the minimum amount needed and shall be timed to be in accord only with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for the direct program costs and the proportionate share of any allowable indirect costs. Since a limited supply of cash often creates hardship for subrecipient organizations, steps have been taken at the federal and state levels to transmit cash more rapidly and frequently by using electronic transfers.

To accommodate the immediate cash needs of Service Delivery Areas (SDA) and the state's other subrecipients, EDD has developed an in-state process to credit subrecipient bank accounts with JTPA funds. This process, which is available as an option, involves inter-branch deposits and inter-bank wire transfers through the Bank of America. In this process, subrecipients request cash from EDD. The EDD, in turn, requests cash from the U.S. Treasury. After EDD has received the cash requested, EDD meets the cash needs for all subrecipients by writing a single check payable to the Bank of America. The Bank of America then credits the individual subrecipient bank accounts through either inter-branch deposits or inter-bank wire transfer.

The Department of Labor (DOL) implemented a similar electronic fund transfer system for moving funds from the U.S. Treasury to EDD's account in 1983. With the system, the state's subrecipients received cash within three working days following a request.

POLICY AND PROCEDURES:

- A. Recipient Organization** - An organization outside the federal government (including any state and local government, educational institution, international

organization, and any other public and private organization) receiving cash advances under federal grant and other programs.

- B. Subrecipient** - Any person, organization or other entity which receives JTPA funds directly from the Governor of the State of California. This includes SDA grant recipients as defined in Title 20 CFR 626.4.
- C. Private Operator** - Any person, organization or other public or private entity which receives funds from a subrecipient.
- D. Cash Advances or Advance Payment** - Advances of money made by the government to a recipient pursuant to a statutory authorization and in accordance with applicable regulations prior to and in anticipation of disbursements required to carry out a project under the grant or agreement.
- E. The EDD Payment System** - The EDD's payment system provides four options by which subrecipients may receive JTPA funds: (1) inter-branch deposits (for subrecipients that have accounts with the Bank of America); (2) inter-bank wire transfers (for subrecipients that have accounts with other financial institutions); (3) mail delivery of state warrants; and (4) direct pick-up of state warrants by subrecipients. The subrecipient must select one of these four options when completing the Information Request Form.

Inter-branch deposits result in "good and verifiable" funds being credited to a subrecipient's account in a Bank of America branch at no cost. Inter-bank wire transfers result in an account with another financial institution being credited; however, a service charge is applied for each transaction. This service charge is absorbed by EDD as a part of JTPA administrative costs.

Inter-branch deposits and inter-bank wire transfers are the fastest and probably the most desirable methods of payment. The two other methods may also be used by those desiring to do so. These are to have funds delivered by state warrant through the U.S. Postal Service, or to have the state warrant picked up by a designated representative at EDD in Sacramento. These two options allow subrecipients to deposit funds on their own; however, the response time is much slower than the first two options.

- F. Returning Cash** - For complete instructions on the return of cash, refer to JTPA Directive D95-36, Subject: Process for Return of Excess Cash, June 3, 1996.
- G. Requesting Cash** - Subrecipients must request cash using the JTA On-Line Cash Request automated system. Using that system, the requester directly enters all information necessary to draw cash, including disbursement of funds and expenditure information. Detailed instructions for use of the system can be found in the Job Training Automation Cash Request Handbook, which is provided to EDD's JTPA subgrantees. Included within the handbook are procedures and information that the subgrantee needs to set up the remote MCI dial up to access the state JTA system. Attempts to order cash using any

alternative method could result in a substantial delay in the processing of cash delivery. For technical assistance, contact the JTA Help Desk at (916) 654-0202.

Subrecipients receive their cash within three working days after the day of request. If cash is not received by the subgrantee within two days after it is expected, please call the Cash Control Supervisor at (916) 654-7891.

The following is a list of state or federal holidays showing the holiday and the day of the week on which it is observed. If the day falls on a Saturday, no holiday is observed; if the day falls on a Sunday, it is observed on the following Monday. Please check your calendar for specific dates. There will be no EDD staff working on these days; therefore, cash requests that are made within two working days prior to these holidays will be delayed by one day. Please time your requests accordingly.

New Year's Day	January 1
Martin Luther King Day	3rd Monday in January
Abraham Lincoln's Birthday	February 12
President's Day	3rd Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	1st Monday in September
Columbus Day	2nd Monday in October
Veterans Day	November 11
Thanksgiving Day	Last Thursday in November
Thanksgiving Holiday	Last Friday in November
Christmas Eve	December 24 (limited hours-check with Fiscal Programs Division [FPD])
Christmas Day	December 25
New Year's Eve	December 31 (limited hours-check with FPD)

H. Interest

Per the JTPA Final Rule Section 627.450(a), Definition of Program Income, interest income earned on JTPA funds is a type of program income. Such interest income includes not only the interest earned on JTPA cash advances initially deposited into a bank account, but also interest earned on JTPA cash transferred to other accounts, such as payroll accounts or other special purpose accounts. Also included as program income is interest earned on other program income. As with all program income, the funds may be retained by the SDA and used as directed in Section 627.450(c), Use of Program Income.

I. Suspension of Cash Request Processing

- (1) The inability or unwillingness on the part of a subrecipient to establish procedures which minimize the time elapsing between cash advances and

the disbursement of the funds, will result in the state's termination of cash advances to such subrecipients. These subrecipients will be placed on a reimbursement basis with the state transferring JTPA funds only after actual cash disbursements have been made.

- (2) The state must ensure that proper fiscal and cash controls are maintained throughout the JTPA system. The existence of any one or more of the following conditions regarding a subrecipient account is considered to be a manifestation of inadequate controls and all actions to process cash requests from the affected subrecipient will be suspended until acceptable corrective action is taken:
 - a. An approved and signed copy (by all parties) of the applicable subgrant agreement or, in some cases, a letter of authorization, is not on file with EDD at the time cash request is entered.
 - b. An approved and signed copy (by all parties) of the applicable JTPA Job Training Plan is not on file with JTPD at the time the cash request is entered.
 - c. The amount of cash requested exceeds the available balance of the subgrant agreement.
 - d. The request is made by an unauthorized person.
- (3) The state will seek a hearing when the following conditions occur, for which no adequate corrective action has been taken by the SDA:
 - a. A required Quarterly Status Report - Summary of Expenditures (JTPA 12) has not been received by EDD.
 - b. An on-site monitoring, performed by the JTPA Monitoring Section of the Compliance Review Division, Program Review Branch, indicates an excess cash problem that is not immediately corrected.
 - c. There was a violation of the subgrant agreement or the Job Training Plan.
 - d. Provision for a hearing is included in Section 15028 of the Unemployment Code, which states:

“If the director finds that employment and training services in a SDA are not being administered in compliance with the provisions of this division, he or she may notify the state council and request a hearing concerning whether funds should be withheld from the SDA.”
- (4) When the state requests corrective action to be taken, the SDA may initially be notified orally by JTPD staff. All subsequent notifications will be made in writing. If the SDA has not complied within a requested time frame, the Chief of JTPD will notify the State Job Training Coordinating Council (SJTCC), in writing, that a hearing before the SJTCC is being requested to determine if funds should be withheld from the SDA. The state will then, in accordance with Section 15028 of the UI Code, notify the appropriate Local Elected Officials and Private Industry Council of the hearing to be held.

If the SJTCC recommends that funds be withheld from an SDA, they will be withheld on an individual funding source basis. For example, if a subrecipient has an excess cash problem only in its Title II-A 5 percent program, then no cash requests for Title II-A 5 percent will be approved. Cash requests for other fund sources which are in compliance, however, will be approved and disbursed to the subrecipient.

Before withheld funds can be released, the SDA must submit a corrective action plan to the Program Management Section of JTPD to ensure that the problem will not occur again. After the plan has been accepted by JTPD, the honoring of cash requests will be reinstated. If an on-site review by the JTPA program manager determines, however, that the planned corrective action has not been implemented, subsequent cash requests will be withheld until such time as corrective action can be verified.

In accordance with the provisions of each subgrant agreement, the state is authorized to put any of its subrecipients on a reimbursement basis should it find that the subrecipients' records, or subsequent verification, indicate excess cash-on-hand. The agreement also provides that subrecipients maintain such fiscal controls and fund accounting procedures as are required by JTPA and federal regulations and make such program statistical and fiscal reports as the state may require to ensure the proper disbursement of, and accounting for, federal funds.

ACTION:

Please note that an Information Request Form (Attachment I, Exhibit I), updated with current information, must be completed and sent to FPD by February 1 of each year. Any changes in bank account information must be submitted before a "new account" is to be used.

INQUIRIES:

If you have any questions regarding receipt of cash, inability to draw cash because a contract (subgrant) has not been processed or cash balance discrepancies, please contact your program manager.

/S/ VICKI J. JOHNSRUD
Acting Chief

Attachment is not available online. To obtain a copy e-mail JTPD at **JTPDLIB@EDD.CA.GOV** or contact Jim Scholl at (916) 657-4610.

1. Information Request Form